Islands stacked with merchandise help sell some of the basic automotive products at Forest City in Center Line, Mich. NHCN photo

'Lots of motion' means product mix in auto departments

NATIONAL REPORT—While several home center dealers have reported only superficial success with automotives, those DIY retailers who are making the category work offer varied selections and appear to be alert to new product innovations.

The dealers who are satisfied with automotives are showing upward of 600 sku's in more than 100 running feet of space. What many of them like about the department, however, is the constant activity and interest in a changing product mix.

"We're constantly adding items," said buyer Rich Hill of Round Lake Ace Home Center, Round Lake, Ill. "There are so many new items in the category."

"There's a lot of motion in the department, no pun intended," said Frank Schaffer, automotives buyer at The Hardware Fair, Baltimore. "There's always something new. It's exciting."

One of the recent additions to the category is auto batteries under the 10-unit chain's own label. The Hardware Fair introduced the line in the spring. The third time they were advertised, Fourth of July weekend, results were gratifying.

"We sold about 75 of them," Schaffer said. "That's not a K mart total, but we were highly pleased because the average ticket is $40. We simply got a good deal from the manufacturer and decided to give batteries a try."

Overall, each store in the chain carries about 600 automotive sku's of such items as oil, waxes, chemicals, wiper blades, filters and mirrors in 120 linear feet of space, according to Schaffer.

All American Home Center buyer Al Carpenter is raving about a new do-it-yourself trailer kit, with add-on sale possibilities, that the Downey, Calif., store added only this past spring.

The parts, which retail for $249 and sell on sale for $189, assemble into a 49-in. x 41-in., 117-lb. trailer that can be attached to a car, Carpenter said.

"We felt originally that if we sold five of them, we'd be doing well," he related. "In three months, we've sold 24."

Previously, All American would have required a license to sell the trailer, but because it is a DIY item, the store can sell the parts without regulation. If a customer wants to use it with a car, however, he must register it with the Department of Motor Vehicles, Carpenter explained.

He noted, however, "I don't make my money on the trailer. I make it on the accessories, and I keep those items in stock."

When a customer buys a trailer for use on the road, Carpenter said, he makes "an immediate sale" because state law requires the trailer to have fenders. Other add-on items are plastic cargo carriers, wood-sided carriers, motorcycle racks, side rails and spare-tire mounts.

Other new items making waves at All American's 2,800-sq.-ft. department are simulated lambskin seat covers and car covers, the buyer said.

"The seat covers are not cheap like foam or terrycloth. They sell for $50 or $60," he reported.

"We're selling 12 car covers a

(Continued on page 32)

Vinyl sheeting for floors most popular, study reports

TOLEDO, Ohio—Vinyl sheeting was far and away the most popular resilient flooring product of the past year, according to a preliminary test survey conducted by the TRAC division of National Family Opinion.

Of the 3.5% of 10,000 households surveyed who bought flooring in the past year, 45% had purchased vinyl sheeting, followed in popularity by vinyl tile, purchased by 27% of flooring customers. The figures were based on a 78% return.

However, vinyl tile proved to be the most frequently DIY-installed product, with 84% of the respondents who bought the product saying they installed it without professional help, compared to only one-third of the respondents who purchased vinyl sheeting.

The preliminary survey tracked the purchasing activity of a wide range of resilient flooring products including ceramic tile (the third most popular flooring product), wood tile, planks and inlaids, and slate, stone and terrazzo.

Specialty flooring stores led the market in sales with 42% of the purchases; the Fort Worth, Tex.-based Color Tile chain came in second with 15% of the sales and building supply stores accounted for 12%.

The breakdown of where the purchases were made shows that nearly 10% of the households bought flooring from contractors who in turn may have purchased the flooring at home centers.

NFO, a market research company based in Toledo, Ohio, said the pretest survey was part of future plans to monitor sales of resilient flooring products in a twice-a-year report to retailers and distributors.

Where they purchased resilient flooring Pretest results

(number of respondents)

Outlet	Total	Ceramic Tile	Rubber/ Asphalt	Slate, Stone, Terrazzo	Vinyl/ Asbestos Tile	Vinyl/ Linoleum Sheet	Wood Inlaid	Wood Planks	Wood Tiles	Other	No Answer
Sears	10	0	0	0	3	6	0	0	0	1	0
Dept. Store	4	0	0	0	1	2	0	0	0	1	0
K mart	9	0	0	0	5	2	0	0	0	1	1
Disc. Store	8	0	1	0	2	5	0	0	0	0	0
Color Tile	51	16	3	1	27	2	0	0	1	0	1
Floor Covering Store	147	9	0	3	21	99	4	0	4	7	0
Furniture Store	9	0	0	0	0	9	0	0	0	0	0
Hardware Store	12	0	0	0	9	3	0	0	0	0	0
Building Supply Store	**41**	**5**	**2**	**3**	**15**	**8**	**2**	**3**	**0**	**3**	**0**
Builder/Contractor	30	12	0	1	2	11	1	2	0	1	0
Other	2	2	0	0	7	9	0	1	3	1	0
No Answer	6	0	0	0	2	2	0	0	0	0	2
TOTAL	**350**	**44**	**6**	**8**	**94**	**158**	**7**	**6**	**8**	**15**	**4**
% of total purchases	**100%**	**13%**	**2%**	**2%**	**27%**	**45%**	**2%**	**2%**	**2%**	**4%**	**1%**
% of purchases installed independently	**52%**	**50%**	**67%**	**63%**	**84%**	**33%**	**43%**	**67%**	**63%**	**53%**	

Source: National Family Opinion

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LUMBER REPORT

Ponderosa pine gaining larger market share

(Continued from page 2)

The company also has a plant in Washington Court House, Ohio, that sends 9 million to 10 million board feet per year of treated ponderosa pine into southern Indiana, northern Kentucky, West Virginia and western Pennsylvania. Busy Beaver, Carter Lumber, Wolohan and Peter Kuntz are among its chain customers.

"Pittsburgh is starting to be strong for us," said Greg Woolum, a Biewer salesman.

Price is a factor

In Biewer's experience, ponderosa shipped across the continent is price competitive with SYP trucked north about half the distance, because of relative mill prices and freight costs.

In the first six months of this year, the mill price of westside SYP increased from $189 per thousand board feet in January to $246 in June, according to the publication, Random Lengths. During the same period, ponderosa pine moved from $165 per thousand board feet to a June peak of $168.

To ship a thousand board feet of ponderosa pine from Oregon to Minnesota cost roughly $75 in June, while the charge for transporting SYP from Arkansas to Minnesota was about $50, according to Random Lengths.

Consequently, at the height of the sales season for treated wood, the lower mill price for ponderosa and the modest difference in shipping costs compared with SYP gave the western species a price advantage of about $50 per thousand board feet in the upper Midwest.

Woolum said that freight to Ohio from the Northwest could run as high as $80 to $90 per thousand board feet, which still made ponderosa pine competitive. In addition, he estimated wood lost because of warpage was about 30% less with ponderosa pine than SYP.

"Yardability" important

Indeed, the advantageous characteristics of SYP—its density and high sap content—which give it greater structural strength than ponderosa, also make it more likely to respond to climate fluctuations by twisting.

Some retailers, like Chicago's Gee Lumber, prefer ponderosa for its greater stability. According to buyer Bob Hirch, Gee has carried ponderosa for more than 10 years and treats about 5 million board feet annually in its own plants to supply its 11 outlets as well as others.

"I get a bang out of the Southern people when they come up here and within the first 10 minutes shoot themselves out of the saddle," said Clasen, of Lampert Yards, referring to one southern producer who considers a 14% warpage loss in SYP used to manufacture truss rafters "No problem. You have to figure that into the initial cost."

The Southern Forest Products Assn., however, rejects the notion that ponderosa has greater "yardability" than southern pine.

"Just because wood is treated doesn't mean it shouldn't be stored properly," said Chuck Gehring, vp of marketing for the association. "Too many retailers assume it can lay out in the yard in snow. If they treat ponderosa that way it will have the same problems."

"If southern producers shipped up good quality southern yellow pine it would beat out ponderosa," said Gene Milchak, a marketing representative for Coppers Co., a supplier of treating chemicals.

Appearance counts

For Biewer's Woolum, the appeal of ponderosa to the public was an important selling point.

"When you buy ponderosa pine you buy #2 or better," he said. "An appearance grade of lumber that looks nicer."

Increasing consumer sophistication and the need for a quality appearance were also important factors in the decision by Georgia-Pacific to switch to treated ponderosa at its Osseo, Minn., distribution center, according to Steve Cajac, lumber manager.

G-P moves about 7 million board feet of treated lumber from that location each year. Until now the lumber was Canadian jack pine obtained inexpensively from the nearby Thunder Bay area of Ontario. Jack pine, however, does not respond well to pressure treatment.

Beside SYP and ponderosa, only Norway or red pine readily accepts the treating chemicals. A refractory wood, like Jack pine, needs to be incised to permit greater chemical penetration and to comply with standards of the American Wood Preservers Bureau.

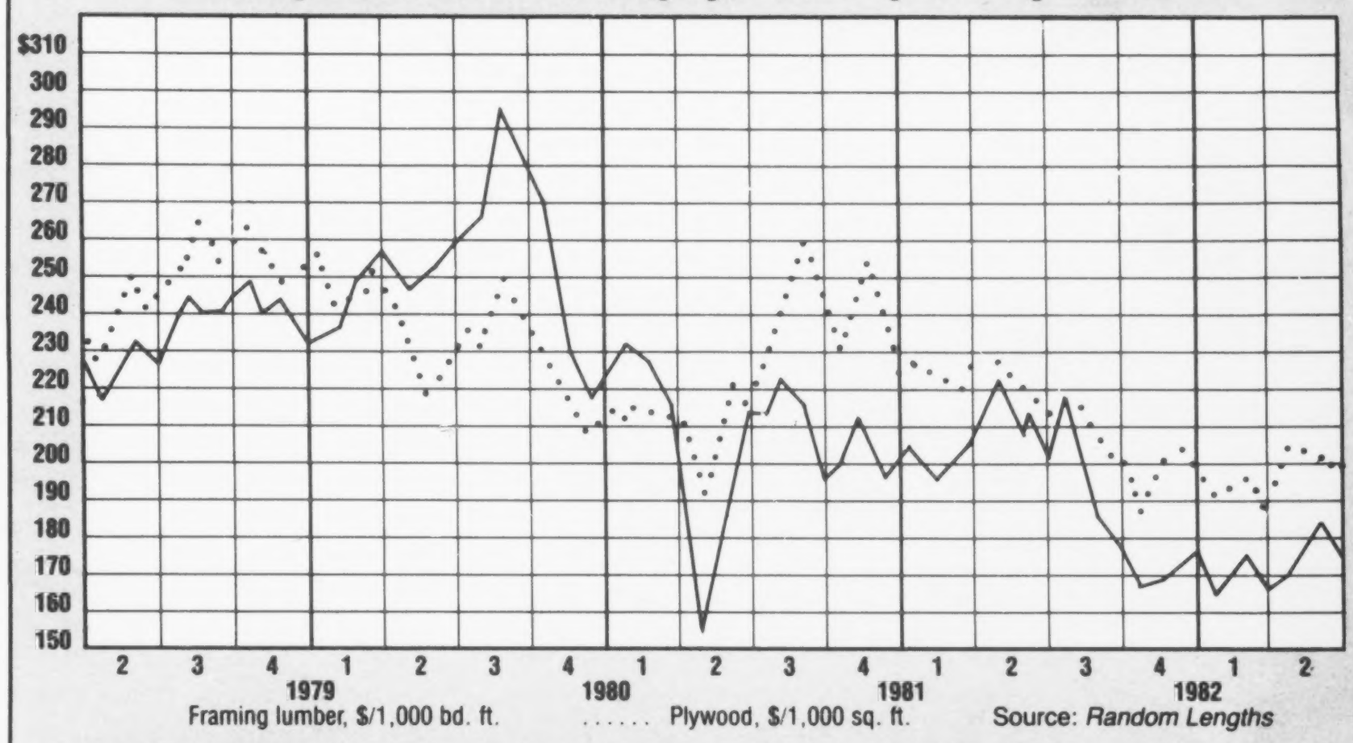
"How would you like to have a deck that looked like a football player walked over it?" quipped Cajac, referring to the reluctance consumers have toward buying incised lumber.

Having decided to shift from Jack, G-P went with ponderosa over SYP because of price.

Ponderosa has also been able to increase its share of the treated market this year because of SYP supply problems

(Continued on page 39)

Composite lumber/plywood price profile



The month offered no real surprises in lumber and plywood prices. Buyers continued to pick and choose expecting that prices could fall even lower. There was little stocking up.

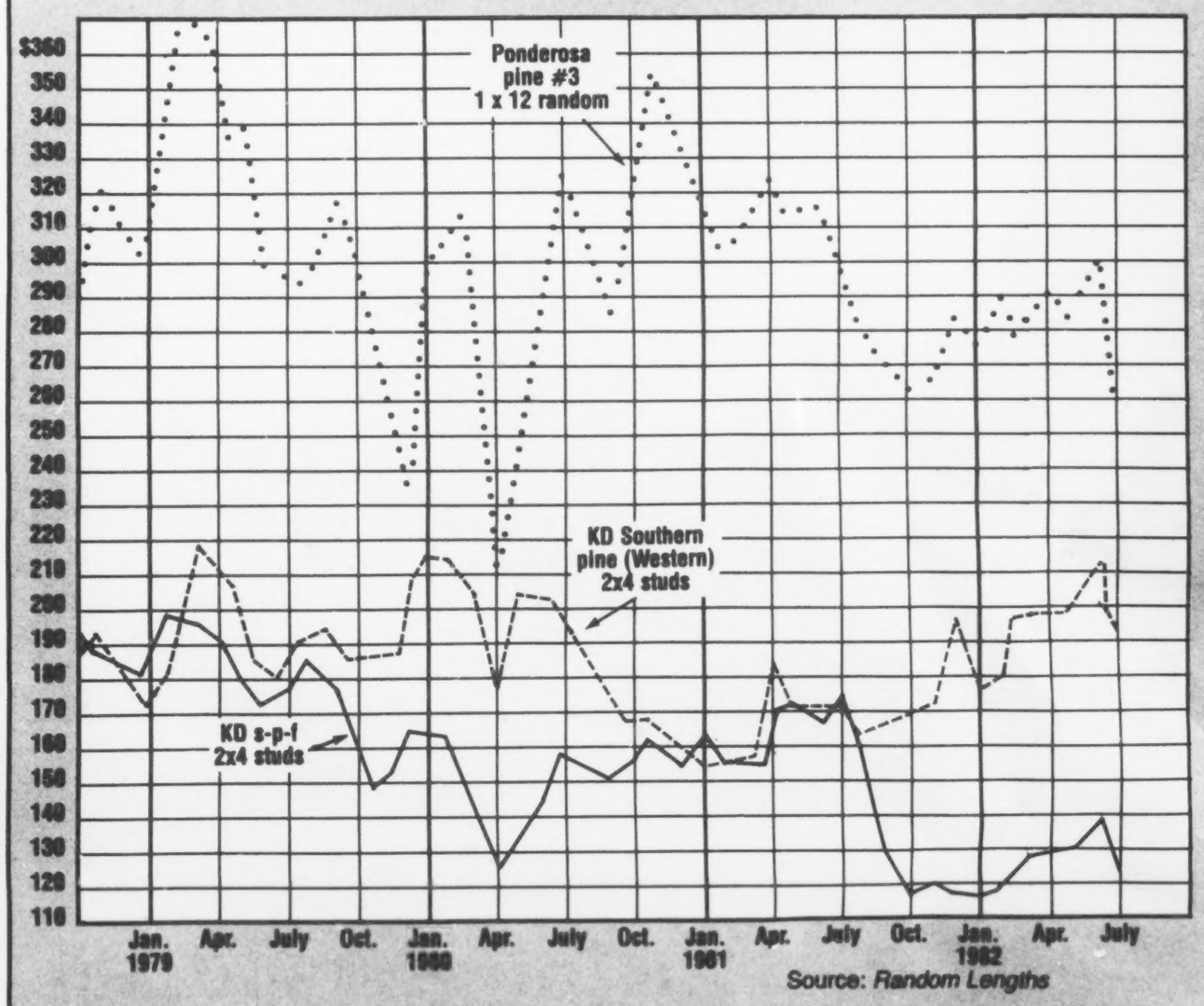
Mills re-entering the market after summer shut downs also caused some lumber prices to slip somewhat. The market for Southern yellow pine weakened substantially with a slack in demand from treaters.

During July framing lumber averaged $174 per thousand board feet and plywood averaged $200 per thousand square feet, based on Random Length's weighted measure of nine framing and seven plywood key items.

The corresponding average prices for June were $179 and $204 respectively.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Stud prices were down in July after June's gains. KD Southern pine dropped suddenly in the beginning of the month, probably marking the end of the season for treated lumber.

However, Texas commercial building activity continued to help some westside Southern mills, and 2x4 stud prices averaged $192 per thousand board feet for July.

A drop in demand was also felt in prices for KD s-p-f 2x4 studs, which dropped to an average price of $127 per thousand board feet for July.

Prices for ponderosa pine #3 1x12 random lengths dropped sharply at midmonth and by the end of July a thousand board feet was available for a low of $220, basically due to surplus product. The monthly average was $260.

FUTURES

Two weeks ended Aug. 6, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	136.00	129.50	134.30	132.30	1,825	229.50	129.50
Nov.	140.20	133.50	136.50	135.10	1,634	224.50	132.60
Jan. '83	149.50	143.50	145.80	143.80	748	205.50	139.10
March	157.30	151.30	154.00	152.60	157	209.80	146.80
May	161.70	157.50	160.40	158.60	194	202.00	152.50
July	169.00	165.00	168.30	165.90	224	201.00	158.00
Sept.	173.00	167.00	170.90	168.00	81	187.90	167.00

Total Contract Vol. (Through 8/6): 14,848 — **Previous Two Weeks: 16,870**
Total Open Interest (As of 8/5): 4,869 — **Previous Week: 4,682**
Cash Price: $132.30 — **Previous Week: $130.34** — **Year Ago: $179.34**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. Western ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	165.80	153.30	158.90	160.80	832	224.50	152.00
Nov.	168.80	158.60	161.50	163.50	441	226.50	154.80
Jan. '83	171.00	162.70	164.30	165.70	399	218.60	157.00
March	173.20	166.50	167.70	169.50	101	196.30	162.50
May	177.50	169.50	171.20	173.60	66	194.20	168.00
July	181.50	173.50	174.70	176.50	38	184.00	173.50

Total Contract Vol. (Through 8/6): 2,828 — **Previous Two Weeks: 3,024**
Total Open Interest (As of 8/5): 1,877 — **Previous Week: 1,458**
Cash Price: $161.70 — **Previous Week: $162.68** — **Year Ago: $191.10**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	232.5	233.7	279.4

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 8/5/82.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

FINANCIAL NEWS

STOCK PRICES

	As of 8/4	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	23⅜	40¼	19¾	9
Diamond Int'l (NYSE)	39½	41¼	26¼	51
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	7⅛	25	7	—
Forest City (AMEX)	12⅜	17	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	30½	51	30¼	4
Lowe's (NYSE)	15¾	16⅝	10½	16
Payless Cashways (NYSE) [Furrow]	22¾	25	15¼	15
Scotty's (NYSE)	17⅛	19⅜	12	11
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	8⅝	20½	8½	—

*$ in millions

Over-the-counter stocks

	As of 8/4 Bid	As of 8/4 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	10¾	12½	14	7½
Hechinger	19	19¼	20⅜	15¼
Hines Lumber	15	16	20¼	15
The Home Depot	19½	19⅝	20⅜	6⅛
Pay 'N Pak	13½	13¾	17¼	11⅝
Pay 'n Save	18	18¼	26⅜	16½
Scotts Seaboard [Scott's]	¾	1⅛	2¾	¾
Wolohan Lumber	3½	3¾	4⅞	3

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Diamond Int'l	6/20-12 wks.	$237,934	$271,069	−12	−$10,193	$12,558	—
Evans Products	6/30-2nd qtr.	228,072**	219,783**	4	17,726**	19,398**	−9
Lowe's	6/26-4 wks.	83,700	78,800	6	—	—	—
Southwest Forest Int'l	6/30-2nd qtr.	140,531	213,893	−34	− 5,553	6,021	—

*$ in thousands

**Financial results include only the retail division. Earnings are operating earnings.

Consumer sales buoy Evans 2nd qtr. earnings

PORTLAND, Ore.—Higher sales, particularly to consumers, and slightly lower operating earnings were two of the bright spots in Evans Products' second quarter ended June 30, company officials indicated.

Revenues at Grossman's, Moore's, Hubbard & Johnson, Alamo Enterprises, and Lindsley stores rose 4% to $228,072,000 in the period from a year ago. Activity was particularly strong in the last two months of the quarter, officials said.

Retail volume accounted for 88% of total sales and helped to reduce the impact from lower sales to the contractor market.

The retail group's operating income fell 9% to $17,726,000 in the quarter compared to last year's record level.

Overall, Evans fell victim to high interest rates and incurred a net loss of $3.5 million on a 16% decline in revenues to $374,530,000 from 1981, according to officials. The sales drop came primarily from decreases in unit sales volumes in its new home, railcar shipment and steel castings businesses.

Although the company emphasized working capital and expense control in the quarter, operating cash flow was hurt by a depressed market and borrowings increased, officials said. Interest expense in the quarter increased 28% to almost $23 million.

To provide for additional borrowing capacity, they added, Evans and its lenders are revising a previously reached agreement in principle in connection with new loan agreements. Its principal revolving credit agreement is scheduled to extend through April 1984.

Until new loan agreements are signed, Evans is operating under waivers of certain covenants in its present loan agreements.

Wolohan sales down 9%, net up

SAGINAW, Mich.—Although its sales decreased in the second quarter, Wolohan Lumber saw net profits increase essentially because of a slight margin improvement, an increase in interest income from short-term investments, and a reduction in operating expenses, according to company president David F. Wallace.

Earnings rose 22% to $483,000 while sales fell 9% to $25,082,000 in the quarter ended June 30, compared to the same period in 1981.

Wallace said total sales suffered from the Midwest's depressed economy and high interest and mortgage rates. Consumer volume, however, was up 13% from a year ago to $18,011,000.

The chain operates 35 stores in six Midwest states.

Correction

Robert McNulty is Neiman-Reed's Lumber City's new executive vp and coo, not executive vp and chief financial officer as reported in *NHCN* Aug. 2. The Sherman Oaks, Calif., 13-unit chain's chief financial officer is Bruce Bleaman.

READ CLASSIFIED ADS

Diamond and Goldsmith delay merger deadline

NEW YORK—Diamond International and Sir James Goldsmith have extended an agreement through Sept. 30 to permit the completion of negotiations on the proposed merger of Diamond with a Goldsmith company, officials announced.

The agreement was scheduled to expire July 31 (*NHCN*, March 1).

Under the merger proposal, Diamond stockholders would receive $44.50 in cash for each share of Diamond common tendered.

A majority of Diamond directors, not affiliated in any way with Goldsmith, and a majority of all Diamond directors, along with 85% of the holders of Diamond common stock, must approve the proposal. Already, all of Diamond's directors, not associated with Goldsmith, have indicated support for the merger.

Cavenham Holdings, a Goldsmith company, owns about 40% of Diamond's common.

In other developments, Diamond incurred a net loss of $10.2 million during its second quarter ended June 20.

The company, which owns 120 home centers, reported earnings from operations of $8 million in the period but a loss on the sale of discontinued operations, namely its packaging products, containers, paperboard and graphic arts divisions, of $18.2 million.

Diamond's sales from continuing operations in the quarter fell 12% from a year ago to $238 million.

"Operations showed some improvement over the first quarter," said Diamond's chairman and president William J. Koslo, "but continue to be below acceptable levels of performance. Until we see signs of any real recovery in the housing industry, it will be difficult to predict higher earnings."

As a result of the earnings picture, Diamond recently cut its quarterly common stock dividend from 55¢ to 35¢.

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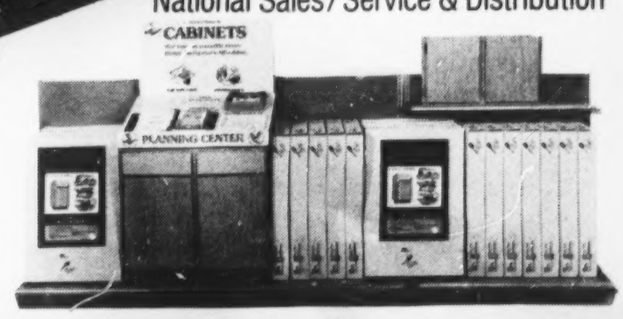

THE INDUSTRY LEADER

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*Space Mates fit 2 out of the 3 first priority D.I.Y. projects (kitchen & basement rec room) listed by homeowners as: 1. Completed in past 12 mos. 2. Planned for next 12 mos. or 3. Planned for next 24 mos. (Source: Joint NHCNews/NAHB Study. See NHCNews, July 5, 1982.)

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D&M Wood Products, Inc.

Retail assn. blasts FTC's Miller: 'RPM policy makes market mess'

WASHINGTON—Shifting Reagan Administration enforcement policy toward resale price maintenance activities by manufacturers has already begun to disrupt the marketplace, retail industry leaders warned the White House.

In a blunt letter to the President, American Retail Federation officials urged the Administration to silence top Justice Department and Federal Trade Commission policy makers who have created "confusion and disturbance in the marketplace" by announcing that supplier attempts to dictate resale prices will no longer be prosecuted as an automatic or *per se* violation of antitrust law.

The ARF letter is a direct slap at FTC Chairman James Miller III, who has openly declared some forms of resale price fixing to be "procompetitive," and Justice Department Antitrust Chief William Baxter, who plans to intervene in private antitrust suits on behalf of manufacturers charged with RPM violations.

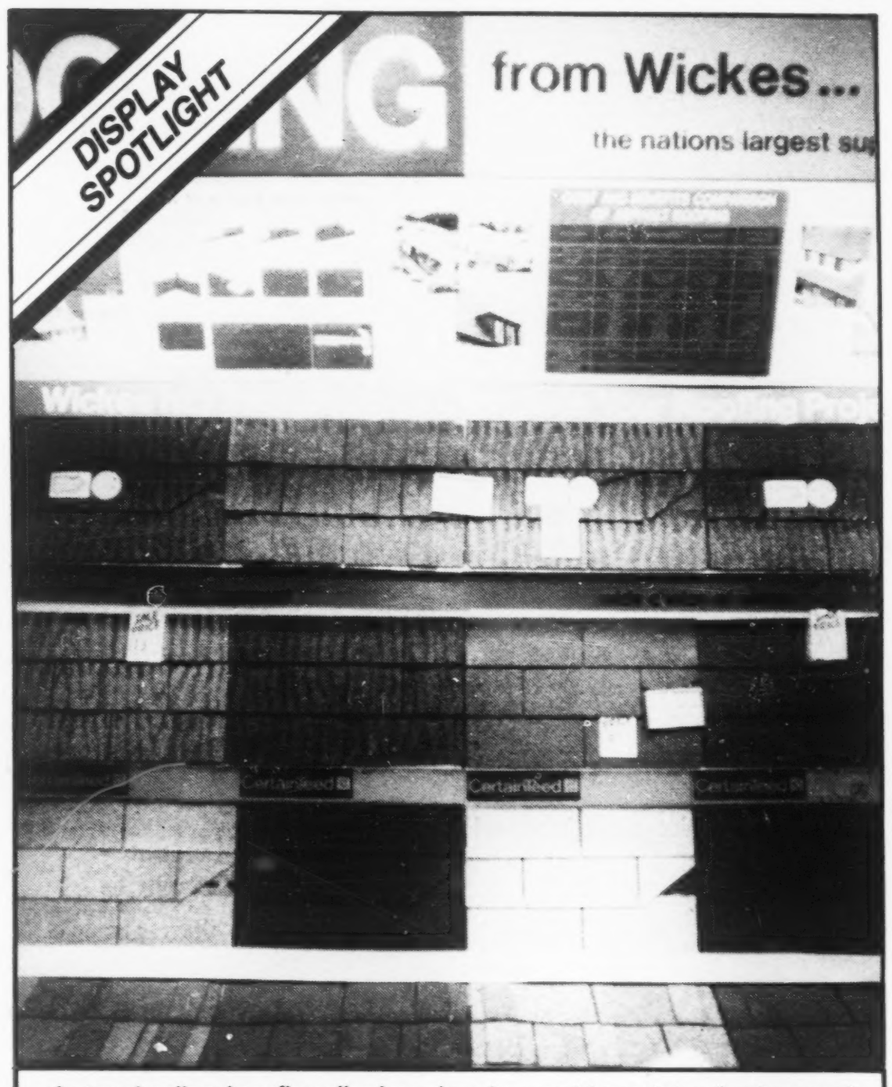
Although home center chains and other retail segments have expressed deep concerns about the pro-RPM tilt of key Reagan antitrusters, broad-based industry groups such as the ARF have been under pressure from independent merchants and some department and specialty store chains not to oppose the antidiscounter policies emerging at FTC and Justice.

ARF's letter to the White House—the Federation's first public statement to date on the RPM issue—urges the Administration to consider the economic consequences of encouraging manufacturers to ban retail price cutting.

"While the ARF has not adopted a position on the substantive issue" of whether RPM should continue to be considered an automatic antitrust violation, any "changes in so fundamental a relationship as that which exists between manufacturers, suppliers and retailers require a full and careful study of all of the implications to the economy before public pronouncements are made," ARF executive vice president William Kay Daines told the President.

In a veiled reference to reports from chain buyers that an increasing number of suppliers have taken recent statements by Miller and Baxter as a signal to resume Fair Trade-style resale price maintenance activities, Daines warned that "doubts about the rules that apply [to RPM enforcement] have the potential for producing unwarranted changes in market practices as well as considerable risk of liability."

On behalf of the more than 80 national and state retail associations which belong to the Federation, ARF urged the White House to direct "Justice Department and FTC officials [to] confine their activities to a case-by-case judicial enforcement" of RPM violations, or to make a specific "legislative proposal to Congress on this sensitive issue."



A standardized roofing display, showing a wide variety of colors and styles, runs against one wall at Wickes Lumber's Saginaw West unit in Michigan. NHCN photos

Homeowners sales record

(Continued from page 3)

count Stores.

Obviously, Williams uses his sense of humor to cope with the pressures of his job. A sign on his office wall proclaims, "Use your head—it's the small things that count."

That he is popular with his employees is also apparent. They stop him as he walks through the store—one trying to arrange four days off.

Williams unabashedly asserts that he is committed to his company and profession. He says Homeowners' president Louis Share "treats us like a family" and he expresses great satisfaction with the company's profit sharing and sales incentive program involving all 300 employees.

Beyond that, Williams credits his wife Bobbie for her support. He said she "takes notes for me when I'm at home and thinks of things—like an aisle that needs to be remerchandised." Even when the brainstorm comes to Williams while soaking in the bathtub—"she knows to grab the pen and pad."

The bottom line is that Williams works longer and harder than his employees, although he wouldn't state it that boldly. His description is that he "always takes one day off" per week, and "usually gets two days off every other week."

Why so many hours? "I love it," he responded. "There's always something to do. It's impossible to become stagnant."

On this particular Saturday, Williams is closely monitoring the hourly sales totals. The first hour "is always our slowest" and sales hit $1,900. "My gosh, I hope this weather clears," Williams said with dejection in his voice. He gets more bad news from Jagdish Teneja, assistant store manager. A Homeowners advertised special—a 10-lb. bag of charcoal briquettes selling for $2.19—is being sold by Montgomery Ward for $1.99.

Shortly after 11 a.m., Williams gets some cheerier information—first two-hour sales are $6,000—"a good pickup, but not where we should be," he said. "I'm really surprised."

Williams continued to walk the aisles, interacting with sales clerks, who vary from fresh-out-of-high-school young men and women to mature "old-timers." The employees start at $3.75 an hour and turnover is low. The last classified help-wanted ad drew 300 applicants.

"You wear out a lot of shoes," Williams said as he continued his walk. "Saturdays are different from the weekdays—you're not unloading trucks, redesigning displays or tearing down gondolas. You're helping customers."

At noon, sales hit $10,900. "It's going to be a good day," Williams said. With renewed assurance that things were under control, Williams decided to drive to Angels Home Center two miles away "to shop the competition."

Inside the Angels store, Williams noted a line of customers queuing up at the cash registers. "The customer can't get out of here," he said in mock indignation, adding that his store has 12 cashiers on duty compared with Angels' six.

Williams stopped in front of an Angels power tool display. "I like that," he remarked. "If I see a good idea, I'll steal it." Indeed, later in the afternoon, he mentioned the display to Teneja and gave him instructions to copy it.

The overcast had now burned away and the sun was shining brightly. Back at Homeowners, the pulse had quickened.

Williams peered into several shopping carts and expressed pleasure that customers were buying items not on advertised special.

Williams unhesitatingly will do any job in the home center, especially on busy days when he wants the sales clerks to spend their time with customers.

Williams said of his broad-ranging activities, "All this contributes to my No. 1 responsibility—to make the store a profit."

What is the key to successful store management? Williams said the trick is being "a listener, not a talker. I know what I know. If there's some information from somebody else, I want to hear it."

The day raced onward. The banana lounge chairs on special at $6.44 apiece and a $28.88 propane outdoor barbecue were the best sellers. As the store's normal Saturday 6 p.m. closing approached, Williams decided to keep the doors open an extra half-hour to service the many customers still in the store.

Williams himself finally left at 8 p.m., almost 13 hours after he arrived. His store's $42,700 sales for the day was "fantastic," Williams said.

Frost & Sullivan survey

(Continued from page 3)

vertising, the highest percentage in that group. This consistency is upheld throughout, with 20% of the hardware respondents using newspaper inserts, 24% direct mail circulars, 12% radio and 5% television.

The disparity arises when the survey compared these two retail groups with lumber and building materials and paint/decorating outlets. In the LBM group, 43%—the highest percentage—said they used ROP ads, while a full 53% of the paint/decorating respondents also walked this marketing avenue. However, neither was spending heavily on direct mail (8% and 4%, respectively), and only 10% of the specialty respondents used newspaper inserts. (Conversely, 20% promoted on the radio.)

The survey explained these marketing preferences by noting that "both [LBM] and paint/decorating stores carry a relatively narrow asssortment and therefore have less use for inserts and direct mail, which both appeal to merchants who feel they can't do their stores justice in one page or 30 seconds."

In addition to tracking advertising trends, the Frost & Sullivan study also looked into what kinds of in-store promotions these store-types favored and found that a large majority of home center respondents were using in-store demonstrations (65.7%) and clinics (48.6%) to assist customers in their DIY endeavors. The survey also noted that home centers, and hardware outlets, were clearly the most display-minded of the four groups, with over 80% of each reporting the use of endcaps, compared with barely more than half of the LBM stores and 61% of the paint/decorating outlets.

The highest percentage of hardware respondents—36.2%—said that in-store demonstrations were the most frequent kinds of special promotions to be found in their stores. For LBM outlets, this was also true, with 36.8% responding they used in-store demonstrations, and another 30.9% opting for DIY shows or in-store clinics. In-store demonstrations also proved popular with paint/decorating stores, 50% of the respondents claiming they employ this merchandising method, with another 43.8% running in-store clinics.

It should also be pointed out that home center respondents represented the highest percentage among the four groups in holding classes during after-store hours for DIYers, 31.4%.

The survey notes that "program wholesaling, though not new, has benefited from the surge in DIY retailing during the 1970's, because of its ability to neutralize many of the chain advantages."

However, the program wholesalers have done such a good job that the independent market could not be saturated, the survey contends, and so "it would not be surprising in the future to see program wholesalers pursue the chain market more methodically." This assessment correlates with the survey's contention that over the next decade, the "super store" type home center (50,000 sq. ft. and over), offering a wide range of products and service, "seems to offer the biggest growth potential compared to convenience and service type home centers." Examples of a "super store" were Hechinger, The Home Depot and Somerville Lumber.

Drug chains sell lumber

(Continued from page 3)

The scaled-down version is 40,000 sq. ft.

So far two "mini-combos" are operating, in Paradise, Calif., and Kauai, Hawaii. The third is slated to open in late 1983 in Soldotna, on the Kenai Peninsula near Anchorage, Alaska.

Pay 'n Save operates 11 full-size drug/home center combos: four in Anchorage, three in Sacramento, two in Hawaii and outlets in Redding, Calif., and Rock Springs, Wyo.

The company, of course, also operates 67 Ernst Home Centers. But Ernst buyers do not handle any of the combo merchandising, which is done by the drug division.

A strong drug rather than home center orientation, while understandable, seemed to be part of the reason Pay Less, another Northwestern firm, is having problems with its combo units. In Oakland, just a few miles from Sav-On's newest store, Pay Less is currently eliminating four 32-ft. gondola runs from the home improvement section of its combo unit.

Lumber image a problem

The Oakland action is part of a move by Pay Less to cut back on its home improvement commitment.

"We are reducing paint and taking out lumber," said a company official. "We've found that they [home improvement products] are not returning what we expect."

Only pine and pressboard shelving will remain.

"We couldn't carry enough to build that image," said the Pay Less official, who asked not to be identified. "We weren't selling that much."

He added that because the stores with home center sections are spread from Washington to California, "trying to coordinate an ad between them was really impossible, now that lumber prices vary so much. Also, we had to deal with too many distributors to set up one ad."

However, the official emphasized that Pay Less is not leaving the home center business completely.

"We're just getting rid of the dog merchandise," he said. The home center sections of the 10 combo units are 2,000 to 5,000 sq. ft. in size.

Only four of those units, however, have outside store signs indicating that home center merchandise is available. The others simply say Pay Less Drug Stores.

This lack of strong home center identity proved especially difficult in the Sacramento market, where Pay Less has one combo unit and several regular drug stores. Advertising seemed to confuse customers who often entered the regular drug outlets looking for home improvement items.

The problems of merchandising lumber and building materials proved to be only part of Pay Less' problem. They were also burdened with forces that touched the rest of the home improvement industry.

"We can't seem to get the home improvement thing going," admitted the official. "Just when we were going to make a big effort, the economy kind of squashed it."

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Outdoor power equipment p. 13

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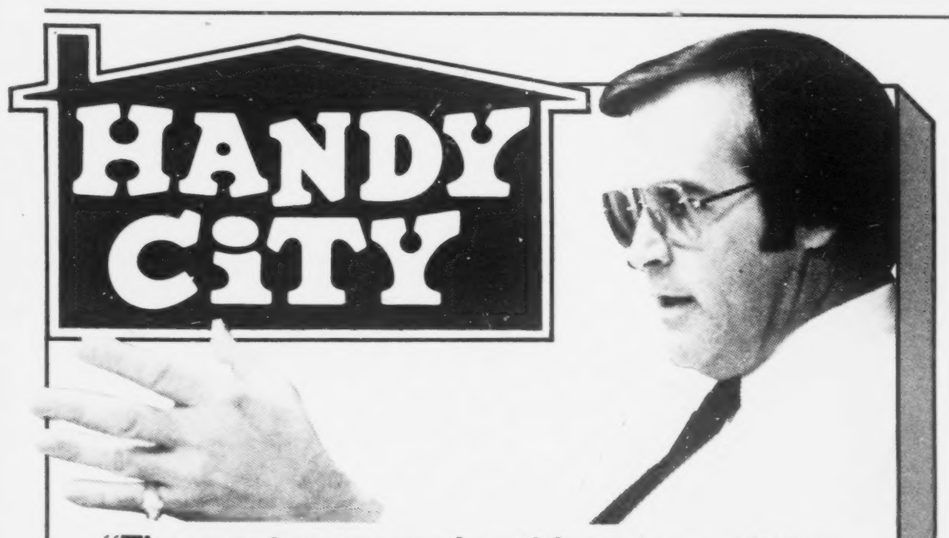

"The most encouraging thing about 1982 is that there's nowhere to go but up . . . We're going to have stability at Handy City plus a sense of direction." **Daryl Lansdale, president (In a Jan. 8, 1982 memo to staff)**

Handy City rebounds but problems persist

By Kenneth Schept
NHCN senior editor

ATLANTA—After six years as part of W. R. Grace, four presidents and numerous changes in personnel, merchandising, systems and procedures, Handy City is approaching profitability.

Rebounding from a loss reported to be $5 million to $6 million last year, the 53-store Southeast opeation made money in April, May and June.

There may be more black ink by November, when current president Daryl Lansdale celebrates his first anniversary in Atlanta, but severe problems remain.

The gains so far, as Lansdale reportedly told his staff, have come from the accounting department, not sales. He and Tom Klimback, the 34-year-old vice president and cfo who joined Handy City at the same time, have tightened expense and store controls.

Sales for the first six months of 1982 totaled $61.8 million, up slightly from last year. Gross margins have been strengthened to about 36% chainwide. However, volume at Atlanta stores remains off because of competition from the chain's No. 1 nemesis, The Home De-

(Continued on page 30)

Home center chains report summer sales were strong

NHCN staff roundup

NATIONAL REPORT–Business has been relatively strong through the summer in the home center industry with many chains posting sizable DIY volume increases, although professional sales remain off for the most part.

Regional pockets of heavy unemployment or unusually high building activity provided exceptions to the general trend.

The July tax cut proved generally disappointing as a stimulus to consumer home improvement spending. Declining interest rates, however, are a source of optimism, although most industry leaders do not expect a strong recovery until at least next spring.

In the meantime a glimpse of better times was reported by Lowe's, the 233-store Southeast giant, where builder sales through the first three weeks of August were up 10% over a year ago, according to Leonard G. Herring, president and ceo.

"Last fall was not one of the best, so the comparisons are not very difficult," he said. "I think the decline in interest rates has prompted new interest in housing purchases. Funding is still not available but there are indications it will be."

Lowe's retail sales up

Overall, Herring does not foresee a large decline in interest rates in the long term. He feels that the current business level will continue with better year-to-year comparisons but no dramatic improvement.

July retail volume was up 25% over a year ago, to $67.4 million, mainly because of changes in pricing, product mix and the RSVP sales floor redesign program, Herring said. Second quarter DIY sales, ending July 31, increased 22%, to $165.2 million, and were up 19% for the first fiscal half, vs. total sales which were up only 3% to $506.3 million. DIY sales now account for 57% of total sales. That has helped boost gross margins, which in July were up to 25%, compared to 24.3% the previous July, Herring said.

Rickel, the 31-store South Plainfield, N.J., chain that is completely DIY reported that its sales for the quarter ending July 31 were up 19% from a year ago to nearly $67 million.

Consumer sales were also up at Scotty's, Winter Haven, Fla., but the 99-store chain also

(Continued on page 4)

NEWSBREAKS

MC COY'S KEEPS EXPANDING. After opening four new units and a replacement store already this year, McCoy's Building Supply Centers, San Marcos, Tex., is building stores in Laredo and Rosenberg, Tex., and a replacement store in Texas City. The company is negotiating for six other Texas sites, including its fourth in San Antonio, which would give it 45 outlets.

INSIDE

AFTER SOME hectic opening days, Hal's two Milwaukee stores have settled down to refining their mix ..... **page 2**
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DIY DEALERS hope power blower sales match the recent success of lawn mowers and string trimmers 13

Proposed chain saw regs threaten to boost prices

NATIONAL REPORT—At a time of declining chain saw sales, DIY retailers and manufacturers are facing the threat of higher retail prices resulting from proposed regulations by the Consumer Product Safety Commission.

Some retailers fear price increases, similar to the certain higher costs for lawn mowers after C.P.S.C.-mandated mower safety standards went into effect July 1, will exacerbate the drop in chain saw purchases.

Last year at the manufacturer level, sales of gas-powered chain saws fell 30% from 1980 to 1,820,000 units, the Chain Saw Manufacturers Assn. reported. Only approximately 450,000 electric-powered chain saws were sold in 1981.

A CSMA survey also indicated that most manufacturers expected 1982 chain saw sales to be no better than in 1981 and possibly to fall at least 10%.

Chain saw manufacturers and their trade association are still confident they can convince the C.P.S.C. that mandatory chain saw safety standards are not necessary.

The C.P.S.C. has indicated that it is not satisfied with the chain saw industry's technological efforts to reduce injuries related to the tools and took the first step this spring toward implementing safety standards (*NHCN*, July 19).

The association has answered the C.P.S.C. by filing a report citing recent Government inclinations toward self-regulation in other areas and noting that the industry has made progress in reducing the possibility of injury from such oc-

(Continued on page 15)

Kissinger keynotes City of Hope fundraiser

By Wyatt Kash
NHCN executive editor

CHICAGO—The United States is in a unique position to produce world order . . . if it seizes the opportunity, asserted former Secretary of State, Henry A. Kissinger, in a speech to the home center and hardware industry here last month.

Dr. Kissinger was the guest speaker at the City of Hope fund-raising dinner, which honored Frank W. Denny, president of W. R. Grace's home center division. The dinner marked the first national drive to elicit industrywide support for the national medical center and research institute.

Addressing 740 people at the $200-a-plate affair, Dr. Kissinger appraised the turmoil in the Middle East, eroding ties with Latin America, all in the face of dealing "with a difficult adversary," in the Soviet Union.

"I look at the situation in the Middle East as one of enormous opportunity," he said, calling the possibility that Lebanon could emerge free of foreign forces "the biggest step forward since the Camp David Accords."

His optimism, though, was built on the premise that the United States "take charge in the negotiations, and provided that we succeed in achieving a sense of security in the Persian Gulf."

"When the Iraq-Iran War started, my only regret was that only one of these countries can lose the war," he said, drawing laughter and applause.

"I get restless when I read in order to balance our budget, we must cut defense. We certainly shouldn't spend more than we need, but we shouldn't spend less than we need."

Turning to Latin America, Dr. Kissinger warned "it is important we understand the importance of the Falkland Crisis," noting the increasing dissension by countries like Argentina and that the Organization of American States which has served as a buffer, "is in disarray."

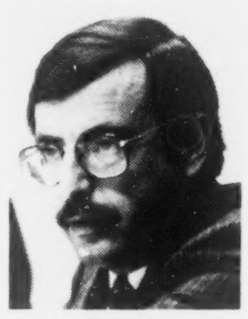
He also pointed to accelerating difficulties with Mexico and Third World nations who have borrowed heavily from United States banks, but who, in many cases, "have no hope of paying us back." "This can't go on forever," he said, warning that "a new approach to Western rela-

(Continued on page 4)

Home Depot chairman Bernie Marcus (l.) and former Secretary of State, Henry Kissinger, join in during the ceremonies honoring Frank Denny, W. R. Grace home center president, at the City of Hope fund raiser in Chicago. NHCN photo

DIY Industry update

Smith resigns from HWI


Smith

FORT WAYNE, Ind.—Paul Smith, vice president of marketing is leaving Hardware Wholesalers Inc., for what can only be described as "a greater calling."

The 13-year veteran of the $487 million buying cooperative announced late last month he was resigning to become a full-time priest.

"It was one of those heavy decisions," Smith said calmly, during a phone interview with *NHCN*.

Smith, in fact, had first decided to study for Holy Orders 10 years ago while on a retreat in Michigan. He was ordained a deacon in 1976, and finally ordained a priest in April 1978. For the past four years, he had been devoting weeknights and his weekends to counseling members of the community, making hospital calls, performing weddings and preaching on Sundays.

The sudden opportunity to take a full-time place among three other priests at a large Trinity Episcopal parish, and the decision that "money didn't mean that much" led Smith, the father of four children, to tender his resignation Aug. 23.

Smith's responsibilities, which included the development of HWI's "Do-It" program and the co-op's advertising program, are expected to be divided among a couple of HWI executives. He noted that he would remain as a consultant for at least the next year.

While Smith acknowledged he would miss some of the excitement of working at HWI, he added, "I feel a sense of excitement and joy about being able to 'serve' the rest of my life."

Central sister aids auto dept.

CHICAGO—It didn't look good for Central Hardware's 15-year-old automotive departments last year when its leased operator and supplier, Ameron, began having financial difficulty.

Central's answer, as it turned out, lay right across town from its Bridgeton, Mo., headquarters in wholesaler Witte Hardware, St. Louis. The match wasn't hard to make—both are owned by Interco, St. Louis.

According to Witte Hardware president Neil A. Marglous, in a speech during the National Hardware Show, Central's department is active once again, following Witte's initial investment of $750,000.

Witte is supplying Central stores with 1,286 sku's of automotives on eight 24-ft. gondola runs which provide four endcaps.

The chain is taking advantage of co-op deals in advertising 10-12 automotive items once a month in 900-line ads, according to Marglous. Some automotive products even carry 150% co-op opportunities, making it possible for a dealer to make money on the co-op deal and very little, if any, on the product, he said.

Motor oils and filters are claiming 21.4% of department volume with 12% of the oil business labeled as impulse buys.

Although oil is a large part of the business, it is not very profitable. Because it draws traffic, however, Marglous said mass displays of oil are very effective.

Waxes and polishes are accounting for 9% of department sales, tuneup-related goods 7.2%, chemicals and additives 5.2% and winter-related items 2.6%. Maintenance and appearance accessories make up the rest of the sales, he said.

Greg Hauca, director of the Home Center Institute, in speaking at the same seminar said DIY dealers showed significant increases in activity and interest with automotives between 1975 and 1981.

In a survey of home center retailers, 60.2% said they were carrying automotives compared to only 26.3% in 1975. Sales per square foot had jumped from $45 in 1975 to $124.31 last year.

The survey also showed an increase in automotive sales as a percentage of total sales from 1.1% to 2.4% in the period and from 2% to 3.1% in showroom space as a percentage of total store.

National Home Center News

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Vol. 8, No. 19 September 13, 1982

Hal's sales in steady climb after hectic opening days

By Greg Puchalski
NHCN senior editor

MILWAUKEE—When a company has set its sights on a particular date for a grand opening, hardly anything will stand in its way, even if a location had been occupied by another business only a month before the target date and even if it means not doing everything right the first time.

Hal's, the new two-unit chain here, fell victim to such a rush in opening its 30,000-sq.-ft. stores last May 20 (*NHCN*, June 7).

In fact, a good portion of its dimension lumber didn't land until the day the stores opened.

Now, however, chain officials are correcting deficiencies with better buying and some remerchandising while pointing the company, backed financially among others by the Slater and Knell families of Channel and Ole's fame, respectively, in the direction of $4-$5 million in sales in its first year, according to vice president, merchandise, Tom Gritz.

"When we opened, basically due to time limitations, we had to rely on just a few vendors," said Gritz, who shares the office of the president of Hal's with vice president, finance/administration Craig Rastello and vice president, operations Terry Dennis.

"We knew we'd make a few mistakes. Since we've opened, we've gone back and made changes."

Specifically, in the 12 weeks the chain has been opened, it has purchased $500,000 in merchandise on special buys and direct purchases, Gritz said. While he would not reveal corresponding sales figures for the period, he acknowledged that each weekly sales report had been exceeding that of the previous week.

Among the changes:

In the paint department, Gritz noted that Hal's is now purchasing ladders and small-can enamels on a direct basis, instead of two-step. It also has

(Continued on page 29)

Left to right, vice president, operations Terry Dennis, vice president, finance/administration Craig Rastello, and vice president, merchandise Tom Gritz form Hal's office of the president. NHCN photo

FTC re-examines warranty rule

WASHINGTON—Federal Trade Commission officials have agreed to reconsider the agency's controversial rules requiring home center chains to maintain in-store libraries of product warranty information for consumer inspection.

That rule—which was issued on the heels of the 1977 Magnuson-Moss Warranty Act—requires home centers and other retailers to provide consumers with copies of manufacturer warranties for all products selling for more than $15 upon request.

Although the presale warranty disclosure requirement was designed to promote competition among manufacturers concerning the terms of their warranties, retail groups have argued that few shoppers ask to inspect this material prior to purchase.

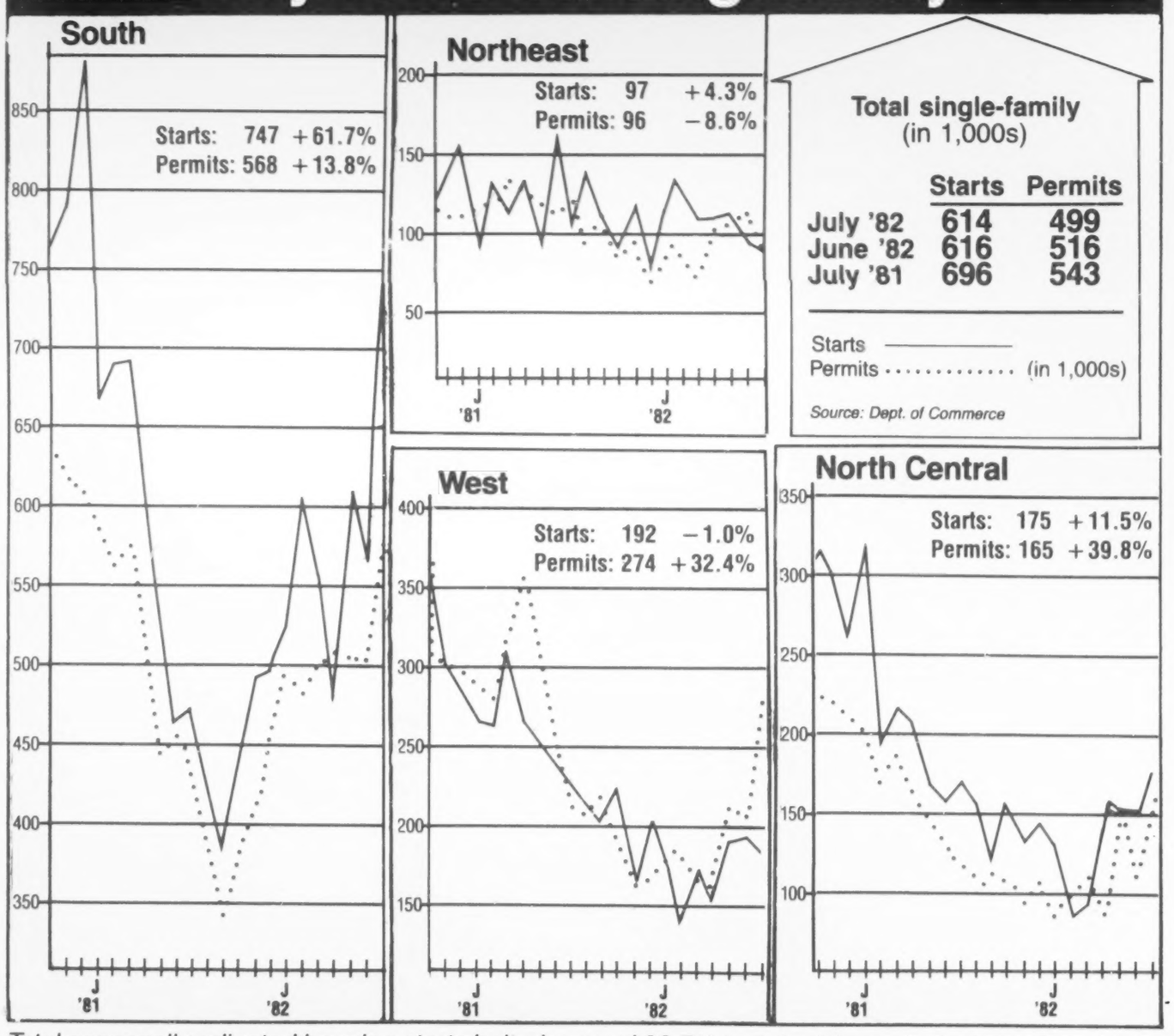
Although retailers have several FTC-approved options for providing warranty information to consumers, most have chosen to maintain binders or notebooks containing the manufacturer-prepared texts.

The specific changes under consideration now at FTC include raising the current $15 threshhold to spare chains the burden of maintaining warranty files for low-ticket items, and eventually indexing that dollar requirement to keep pace with inflation.

A separate plan under study at the commission would shift

(Continued on page 29)

July home-building activity



Total seasonally adjusted housing starts bolted upward 33.7% to 1.2 million units in July, after sinking 15.3% between May and June. Permits were also up, by a more modest 5.4%. The July surge, the largest since the Commerce Department has kept these records, brought total seasonally adjusted starts to their highest point since April 1981. It was only the second time this year that starts passed the million mark. However, most of July's growth was spurred by HUD multifamily building in the South. Total seasonally adjusted single-family starts and permits were both off from June. Starts dropped slightly to 614,000, while permits were down 8.3% to 499,000.

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Evans puts its retail division on the block

By Kenneth Schept
NHCN senior editor

PORTLAND, Ore.—Evans Retail, the second ranking home center operation in the DIY industry, is for sale.

Parent company Evans Products said earlier this month that it hopes to sell as a package, its retail group's 341 Grossman's, Lindsley, Moore's, Alamo and Hubbard & Johnson stores operating in 20 states.

No price has been announced, nor were any potential buyers made known at presstime.

The retail division makes up 49% of the revenue, 56% of the earnings and 30% of the assets of Evans Products, which is also involved in home building, forest products and transportation equipment leasing.

The retail division's assets are currently valued at $285 million. Sales last year totaled $756.2 million, with sales to DIYers comprising $635 million, or approximately 85% of that total, putting Evans Retail just behind W. R. Grace as the leading retailer of home improvement items to consumers in the United States.

The sale was prompted by the need to raise cash for a debt burden that now totals $475 million in long- and short-term debt (two-thirds tied to the prime rate), according to Gary M. Christopherson, Evans manager, corporate communications.

"It was a long-range, tough-minded decision, which in the near term offered the greatest capital potential," he said.

While Evans Products ended last year with net earnings of $17.6 million, the company reported a $12.3 million loss for the first six months of 1982.

The company's home building and forest product divisions operated in the red during that period, a reflection of the recession that has crippled both of those industries. The shelter products division showed pretax earnings of $1.8 million, while the same figure for retailing was $16.05 million and for the transportation and industrial group, $32.6 million.

Because Evans' stock is depressed, selling at 8¾ the day the intention to sell was announced early this month, and because of the negative cash flow, a sale of assets became the only real alternative for meeting the mounting debt, according to Christopherson. It then seemed that putting one of the company's better performing divisions on the auction block would garner the best price.

The question now is who is going to bid and how much? Salomon Brothers is acting as investment broker for the deal and has been supplied by Evans with a potential buyer list that includes companies from both within and outside the industry.

The names of prospective buyers and the size of any potential deal are secret. Based on information from Evans and conversations with security analysts Evans' ballpark asking price would be higher than the

(Continued on page 66)

Evans profile

Shelter Products
Forest Fiber Products $122 mil. 8%
$119 mil. 8%
Custom-built homes $146 mil., 10%
Transportation Systems & Industrial $357 mil., 23%
Retail Group $756 mil., (341 stores) 49%
GROSSMAN'S
A DIVISION OF EVANS PRODUCTS COMPANY
MOORE'S
Figures based on 1981 sales.

"The potential capital gain from the sale of the retail group is intended to reduce the company's financial leverage and associated interest expenses. The restructuring will also enable management to devote greater attention and resources to the full-service leasing of transportation equipment."
Monford A. Orloff, Evans chairman, president and ceo.

Devalued Mexican peso pinches border biz

By Brad Altman
NHCN West Coast editor

EL PASO—Home center outlets here and in other cities and towns along the 1,760-mile United States-Mexico border have suffered as much as a 60% downturn in business since the Mexican government devalued the peso early last month.

El Paso "got like a ghost town," after news of the devaluation, said Victor M. Teran Jr., vp/gm of Economy Plumbing & Hardware Supply, a three-unit home center operation here. With its original store located on El Paso Street only a few blocks from the border, about 75% of its business normally comes from Mexican customers, Teran said. Since the devaluation, business has dropped between 55% and 60%.

Nearby, a Standard Brands Paint outlet with a relatively broad assortment of home center items, suffered a 50% decline in business, according to Sylvia Calderon, an assistant manager. The store was forced to lay off nine of its 29 full-time employees in the past few weeks.

Sales at one of Cashway Home Improvement's 68,000-sq.-ft. outlets near the border, were down almost 40%, according to Mike Mauldin, wholesale division sales manager.

And O'Malley Lumber, with two 15,000-sq.-ft. outlets here and a third border store in Nogales, Ariz., reported a 10% to 12% decrease in sales since the devaluation.

Although the percentage-point decrease is not devastating, said Dean Drake, gm of the Phoenix-based chain, the situation impacts on the "economic health of the town—and that's primarily the way it affects us."

Most retailers now report that the situation shows signs of improvement, following Mexican President Jose Lopez Portillo's decision earlier this month to nationalize the country's private banks.

Prior to that decision, however, the peso had been suffering a tremendous beating after the Mexican government devalued the currency Aug. 5, driving its value from 49 pesos

(Continued on page 66)

NEWSBREAKS

HECHINGER EXPANDS SOUTH. Hechinger, the 34-store mid-Atlantic chain, is expanding into North Carolina, with a Winston-Salem opening planned for February 1983. Two other stores will also be opened in that state early next year. The chain intends to hit Charlotte, Greensboro, Durham and Raleigh. Expansion of its distribution center allowed the chain to pass its 200-mile market.

INSIDE

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DIY chains adding lines as telephone sales surge

By Molly Brauer
NHCN field editor

NATIONAL REPORT—Telephone and telephone accessory sales in home centers have surged in recent months prompting a number of chains including Lowe's, Home Depot, and Pergament to enter the market.

Lowe's, the 232-store, North Wilkesboro, N.C., chain introduced a telephone and accessories program for all its stores just a few weeks ago. Lowe's will carry six sku's of telephones from two manufacturers, GTE and Sound Design: The phones, including some cordless models will retail between $19 and $139. The manufacturers are providing Lowe's with displays.

Lowe's will also carry 12 to 15 sku's of accessories by GTE in addition to the phones. Sound Design, a New Jersey company that Lowe's has dealt with for several years, will supply the most unique product—a clock-radio phone that will sell for $89.

Bob Cannon, vice president merchandising, thought that new laws requiring telephone

(Continued on page 66)

PERGAMENT
AUTOMATIC REDIAL FEATURE
NEW!
HAND HELD TELEPHONE
Use with rotary or touch tone system. Automatic last call redial feature, choice of white, beige, or chocolate.
REG. 29.99
19.99
WALL MOUNT HOLSTER 3.99

Pergament, the 40-store, Melville, N.Y., chain is one of the many home centers to enter the telephone market with the recent introduction of a promotional, hand-held telephone.

Renews fair-trade fight

Baxter defies Court on RPM

By Ken Rankin
Washington correspondent

Assistant Attorney General William Baxter stunned Senators and Representatives at two Congressional hearings with statements asserting that as Justice Department Antitrust Division chief he would not enforce Federal antitrust laws against resale price maintenance as directed by the Supreme Court.

Baxter said he has the "prosecutorial discretion" to ignore the Supreme Court and Congress and enforce retail price maintenance laws only where he saw fit, he also revealed his division still plans to intervene in private antitrust cases on behalf of manufacturers charged with illegal RPM activities.

These statements appear to have galvanized Congressional opposition to Reagan Administration refusals to enforce Federally mandated legislation against retail price maintenance. It also touched off a demand by Sen. Howard Metzenbaum (D-Ohio) for Baxter's im-

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